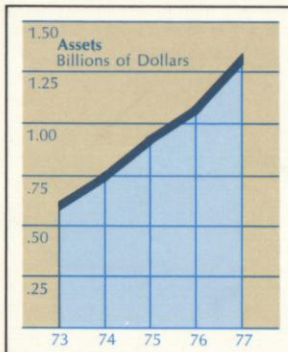
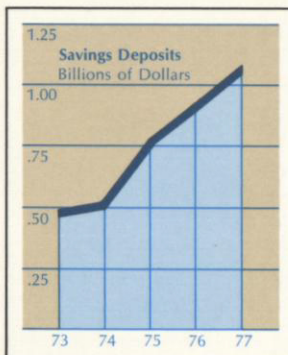
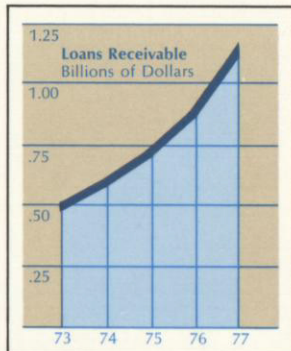


Broadview Financial Corporation

Serving Northern Ohio



**Annual Report
1977**

Broadview Financial Corporation

Broadview Financial Corporation is a savings and loan holding company. Its principal subsidiary is The Broadview Savings and Loan Company, the largest savings and loan association in Ohio.

Headquartered in Cleveland, Broadview Savings serves a seven-county area stretching along Lake Erie from Lake County on the east to Erie County on the west. It is a region rich in industry, commerce, culture, real property and tradition. On some of the following pages, we'll tell you more about the area . . . an area that is not just a "market" to us, but our home.

Among its riches is Lake Erie, which is not only an important transportation medium and recreation attraction, but the source of a virtually unlimited supply of fresh water for homes and industry.

The area has a diverse population, a reflection in part of the waves of immigrants who

found their way to Cleveland in both the 19th and 20th centuries, bringing with them customs and skills which are important elements in the area's vitality. The ethnic tradition is manifested in many ways — fine restaurants, well-kept neighborhoods, colorful Old World festivals, 13 foreign-language newspapers and nationality halls — ethnic community centers — such as Lemko Hall, which film goers will visit in the motion picture, "The Deer Hunter."

Still another tradition is thrift. A significant number of the area's savings and loans can trace their origins to the ethnic groups which founded them to serve their savings and home acquisition desires. We continue to build on these patterns of frugality and depositor loyalty for a growth which indicates northern Ohio is one of the nation's stronger markets for savings and loans.

Cleveland and Lake Erie



Well-kept Neighborhoods

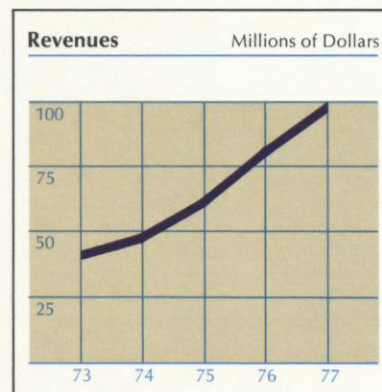
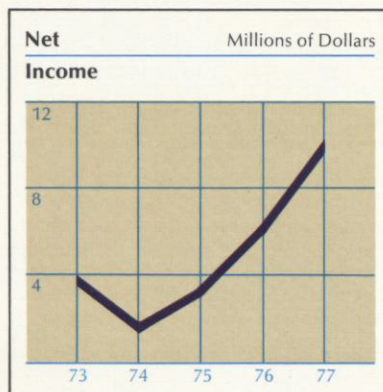
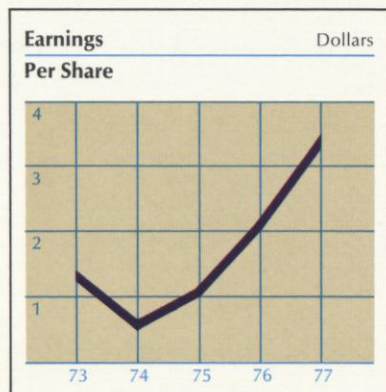


Lemko Hall

Financial Highlights

Broadview Financial Corporation and Subsidiaries

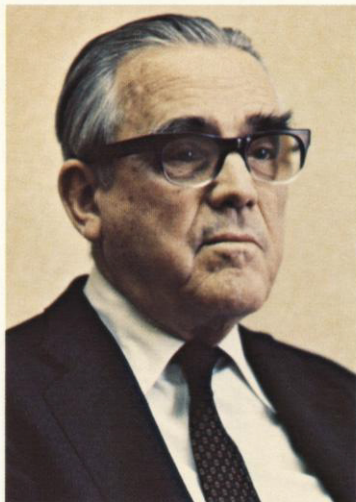
	1977	1976
Assets	\$1,308,454,489	\$1,062,399,994
Revenues	99,004,703	81,371,871
Net Income	10,099,656	6,142,680
Per Share	3.40	2.07
Weighted Average Shares Outstanding	2,973,400 shs.	2,973,400 shs.
Shareholders' Equity	\$ 53,741,829	\$ 44,474,725
Per Share	18.07	14.96
Savings Deposits	1,052,551,481	907,786,398
Loans Receivable, Net of Loans in Process	1,120,509,414	876,669,394
Number of Shareholders	2,888	2,967
Stock Market Price (High-Low)		
1st Quarter	8 ⁵ / ₈ -6 ³ / ₄	6 ¹ / ₂ -4 ¹ / ₄
2nd Quarter	9 ⁵ / ₈ -8 ¹ / ₈	7 ³ / ₈ -6 ¹ / ₈
3rd Quarter	10 ³ / ₄ -8 ¹ / ₂	7 -5 ⁷ / ₈
4th Quarter	11 ³ / ₄ -9	7 ¹ / ₈ -6 ³ / ₈
Dividends Paid		
1st Quarter	\$.06	\$.04
2nd Quarter	.06	.04
3rd Quarter	.07	.04
4th Quarter	.09	.04
Total	<u>\$.28</u>	<u>\$.16</u>



Report To Shareholders



J. E. Rupert



E. J. Rupert

The year ended December 31, 1977 was one of records for Broadview Financial Corporation. Among the highlights were:

- Record earnings of \$10,099,656, or \$3.40 a share, an increase of 64 per cent over the \$6,142,680, or \$2.07 per share, earned in 1976 and more than triple the \$3,075,305, or \$1.03 per share, of 1975. The fourth quarter of 1977, in which we earned \$2,669,913 or 90 cents per share, was the best quarter in our history.

- Revenues of \$99,004,703, up 22 per cent over the \$81,371,871 of 1976.

- Steady growth in total assets, savings deposits, and loans outstanding, all of which were above the \$1 billion level at year-end.

- Three quarterly dividend increases, raising the current annual indicated rate to 36 cents per share, up 125 per cent from a year ago.

The announced internal objectives of Broadview Financial's management are to increase our flexibility so as to take advantage of changing circumstances; to emphasize ingenuity to develop new products, services and markets; to create and utilize liquidity to offset adverse economic influences; and to increase profitability. Much has been realized in achieving these objectives.

For example, The MONEY SERVICE program, which not only facilitates business transactions at all Broadview Savings offices, but enables customers to make deposits and withdrawals and cash checks at 59 Pick-N-Pay Supermarkets, has proved itself an especially viable medium for attracting savings dollars since its late 1975 introduction. In mid-1977, as short-term rates spurted upward and regular savings inflows tapered off, a flexible certificate of deposit program enabling customers to purchase certificates in any amount over \$1,000 for periods ranging from three to 120 months was introduced. It made a major contribution to attracting the year's near record inflow. Another 1977 program, a reverse mortgage plan called Equi-Pay, enables homeowners to convert equity in homes into tax-free income. It received national attention as the first such program in the country.

Sound asset management, such as the maintenance of a balance between long-term loan commitments and liquid investments, is vital in the development of the liquidity necessary to deal with possible adverse economic circumstances. Active participation in the Government National Mortgage Association mortgage-backed pass-through certificate market has become an important liquidity tool for Broadview. Certificates of deposit, Federal Home Loan Bank borrowings and securities sold under agreements to repurchase traditionally have been the sources of long-term funds for savings and loans. Last November, another resource available to us was used when Broadview Savings sold \$40,000,000 of 8 per cent GNMA-Collateralized Bonds. The issue, the first of its type to utilize Ginnie Mae modified pass-through certificates as collateral, was rated AAA by Standard & Poor's.

Important progress also has been made in improving profitability. During 1977, we realized our objective of increasing the spread between what we pay for money and what we earn on it to more than two per cent. The net spread of 2.14 per cent in 1977 compares with 1.92 per cent in 1976 and 1.47 per cent in 1975. We also made progress in realizing our long-range objective

of a one per cent return on average assets. 1977 net income as a percentage of average assets rose to .85 per cent, up from the .60 per cent of 1976 and the .37 per cent of 1975. Our return on beginning-of-the-year equity rose to 22.7 per cent in 1977, up from the 15.8 per cent of 1976 and more than double the 8.5 per cent of 1975. The steady rise in earnings has had a major impact on shareholders' equity, which at 1977 year-end amounted to \$53,741,829, or \$18.07 per share, an increase of 54 per cent since 1973.

Directors have indicated that it is their desire to have shareholders participate in the company's earnings progress. In 1977, the quarterly dividend rate was increased three times for a total payout of 28 cents per share and an indicated annual rate of 36 cents per share. This compares with payments of 16 cents per share in 1976 and 12½ cents per share in 1975 and earlier. The dividend policy will continue to be reviewed regularly by directors in the light of earnings, related progress and capital requirements.

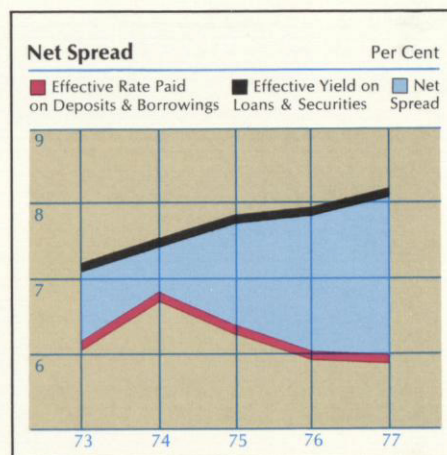
We expect the advances of recent years to continue on a long-term basis. The fact is that our principal subsidiary, Broadview Savings, is number one in an excellent market for savings and loan activities. We have been strengthened immensely in recent years by management restructuring and by

far-reaching, and frequently innovative, administrative and marketing programs. The steady expansion of our branch network, which now serves seven counties, and the mid-1975 acquisition of St. Clair Savings Association by Broadview Financial has steadily extended the company's presence to a growing consumer base. The late-1977 merger of Broadview Savings and St. Clair Savings is expected to result in improved service and convenience for our customers as well as numerous operating efficiencies.

These advances and new ideas are not the work of only one or two people. Our success is due to the combined skills and efforts of our excellent staff, and we thank them publicly for these contributions.

The outlook for the immediate future is somewhat more difficult to assess. Still to be determined is the full impact on the area's economy of the coal strike and the winter of 1977-78 with its record snowfall, continued inflation, the increase in Social Security taxes and uncertainties related to tax reform and energy costs, all of which could influence savings patterns.

But probably most significant from our standpoint, the extremely favorable operating climate which existed for savings and loans throughout 1976 began to change midway through 1977 when short-term interest rates, represented by the

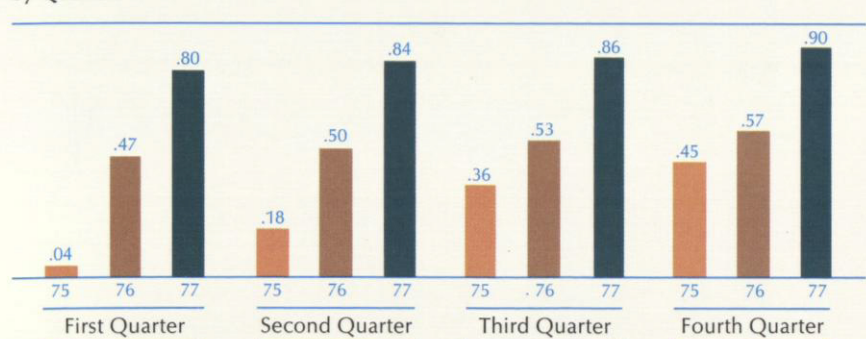


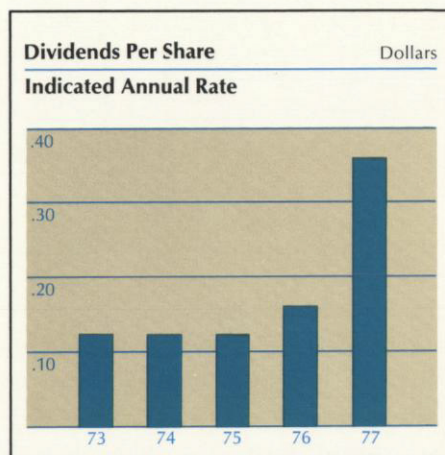
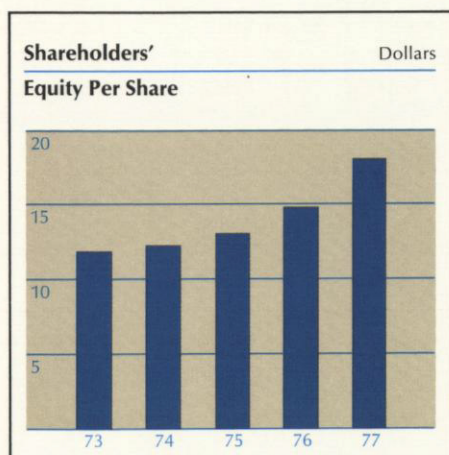
average yield on 13-week Treasury bills, topped the five per cent mark, peaked at 6.282 in October, and closed the year just a shade lower. Competition for funds has intensified and there is no sign of a weakening in short-term rates. Thirteen-week Treasury bills have commanded average yields of from 6.302 to 6.682 well into the year's first quarter.

Perspective is required, however. Short-term rates, even at the higher present levels, are well below the inflated nine per cent level reached in 1974. Then, too, a review of our second half, 1977, experience, when short-term rates were not too dissimilar from today, is encouraging. During the final six months of 1977, we increased savings deposits \$65,398,858 — \$30,543,204 in the fourth quarter when competition was most intense — and we accounted for over 20 per cent of the savings inflow to major area savings and loans.

Inflow for the first quarter of 1978 will lag substantially behind the record \$47,398,897 of the 1977 first quarter. However, at that time we accounted for substantially more than our share of the market because The MONEY SERVICE, our statement savings program which pays 5¼ per cent interest, was well established when area financial institutions, including Broadview Savings, reduced passbook rates a quarter per cent and because we

**Earnings Per Share
by Quarters**





continued to offer for a longer period certificates of deposit on generally more favorable terms.

Savings deposits are a vital ingredient for an active lending program, and lending is the principal source of revenues for a savings and loan. However, loan payments and pay-offs, particularly for an institution with a portfolio as large as that of Broadview Savings, represent a significant source of funds. We estimate that our 1978 roll-over will approximate \$150,000,000. Experience of the past four years also suggests that we will be able to obtain more than our share of the savings dollars available through continued aggressive marketing programs and services. The growth of our loan portfolio in recent years—a total of \$671,869,000 in new loans, net of sales, in the past two years—offers promise of continued high revenue levels. While lending volume in 1978 can be expected to be at a lower level than in 1977, it should be at generally higher rates.

In short, while we see 1978 as a challenging year, we are optimistic that it will be another successful one for the company and, barring completely unforeseen developments, expect it to be another year of record earnings. We are especially positive regarding the long-term prospects for the company because Broadview Financial is a leader in

financial services in one of the more attractive markets in the country. Supporters of the area, like those of other parts of the nation, have created slogans to promote the northern Ohio region. An early one described it as "The Best Location in the Nation." More recently, "Cleveland — The Best Things in Life Are Here" was widely heralded, and now in early 1978 the Greater Cleveland Growth Association has unveiled "Cleveland: A New Generation." We believe the best things in life are here in the best location in the nation, and we are part of that new generation.

Sincerely,

Edward J. Rupert
Chairman of the Board

John E. Rupert
President and Chief Executive Officer

March 22, 1978

Broadview Savings and Northern Ohio

Ohio is a savings and loan state, ranking fourth in the nation in terms of assets. At 1977 year-end, the 400 members of the Ohio League of Savings Associations had combined assets of \$31 billion. And during the year, the 300 Ohio members of the Federal Home Loan Bank of Cincinnati closed \$6.9 billion in mortgage loans, increasing the total portfolio to \$24.2 billion. The 1977 volume of loans made, up 35 per cent over that of the previous year, was a ten-year record.

In northern Ohio, the 34 savings and loan members of the Northeastern Ohio Savings and Loan League headquartered in Cuyahoga, Lake and Lorain Counties — three of the seven counties where Broadview Savings is active — increased total assets to \$8.5 billion, up 16 per cent from a year earlier. Savings deposits rose 13 per cent to \$7 billion while loans outstanding approached \$7.5 billion, an increase of 18 per cent.

Cleveland, home of the Fourth District Federal Reserve Bank and five commercial banks with assets of over \$1 billion each, also is an important regional banking center. This has not impaired savings and loan growth, particularly in the seventies.

Since 1970, the combined assets of the five banks with assets of more than \$1 billion have increased a total of 53.3 per cent. The largest gainer among the five upped its total assets 63.4 per cent. Since 1970, Broadview Savings has increased total assets 231.7 per cent, and now ranks with the fourth and fifth largest banks.

In 1977, the 10 largest savings and loans in the Greater Cleveland area had combined asset growth of 16.3 per cent. Broadview, the first savings and loan association in Ohio to exceed \$1 billion in assets, increased its total 23.1 per cent. In contrast, the ten largest Cleveland banks' total combined asset growth was 1.4 per cent.

Record Lending

Fueled by continued high levels of savings inflow, the sale of \$40,000,000 of 8 per cent GNMA-Collateralized Bonds, and payments on loans, Broadview made a record \$410,425,000 in loans,

net of sales, in 1977. The previous high, in 1976, was \$261,444,000. Emphasis was on residential properties. Of the 1977 loans made, \$361,038,000, or 88.0 per cent, were residential properties under five units; \$15,437,000, or 3.8 per cent, were larger residential properties; \$19,062,000, or 4.6 per cent, commercial and industrial; and \$14,888,000, or 3.6 per cent, land development.

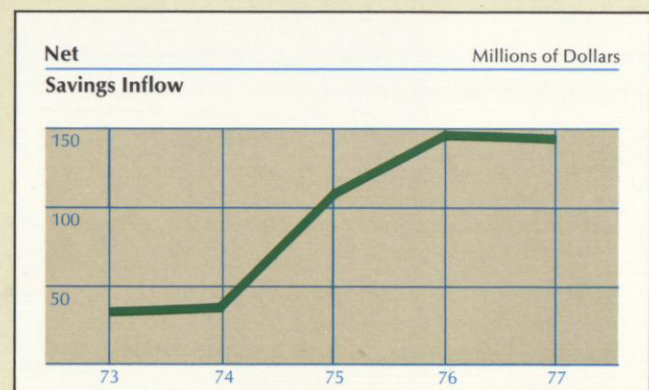
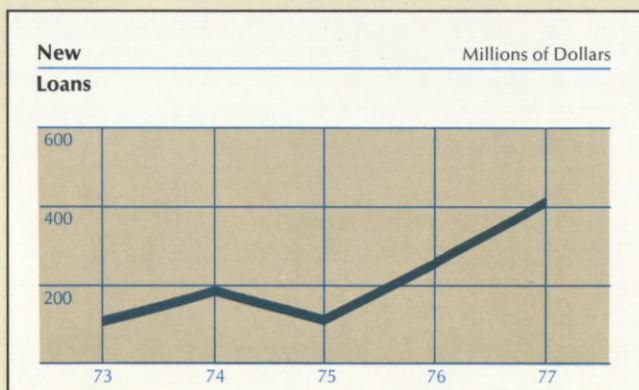
The average yield on the 1977 loan portfolio was 8.29 per cent, up 15 basis points from the previous year, reflecting the turnover of older loans with lower rates. Loans made in 1977 were at rates ranging from 7.50 to 11.50 per cent, and the average for the year was 8.69 per cent, down from the 8.79 per cent of 1976 largely because of a reduction in the prime lending rate for a portion of the year.

Net Spread Rises to 2.14

The net spread — the difference between the cost of money and the yield on invested assets — again increased. The effective yield on loans and securities during 1977 rose to 8.13 per cent, an increase of 21 basis points, while the rate paid for borrowings and deposits amounted to 5.99 per cent, providing a differential of 2.14 per cent. The 1977 spread represents a steady improvement from the 1.92 per cent of 1976, the 1.47 per cent of 1975 and the .73 per cent of 1974.

The improvement reflects an ideal operating climate for savings and loans — strong savings inflows and good investment opportunities — for much of the past three years, plus heightened and refined asset-liability management efforts.

The cost of money has been contained effectively, as evidenced by the 5.99 per cent paid on deposits and borrowings in 1977 versus 6.00 per cent in 1976, the 6.30 per cent of 1975 and the 6.77 per cent of 1974. On the other hand, the volume of loans made at attractive rates has had a very favorable impact on yield. In the past three years, a total of \$772,768,000 in loans, net of sales, has been made, an amount roughly equal to that of the preceding



A Diversified Base

The northern Ohio economy is built on a diverse — and rapidly changing — base. Its 900,000 member labor force represents some 11,000 skills. As it has been for decades, steel production continues to be an important ingredient of the area's economy. So are metal fabricating, the manufacture of automated tools for industry, and automobiles. Ohio ranks second only to Michigan in importance in auto production, and much of it is centered in the northern Ohio area.

But as important as steel and automotive production are, there actually are more people employed — upwards of 55,000 — in health services than in the other two combined.

Cleveland, home of the Cleveland Clinic, which may well be the largest private medical center in the world, the many divisions of University Hospitals, Metropolitan General, Mount Sinai, St. Luke's

and St. Vincent Charity Hospital, is one of the nation's medical centers. It also is becoming an important center for the manufacture of high-technology biomedical instrumentation such as body scanners.

With 50 per cent of the population of the U. S. and Canada within 600 miles and a network of interstate highways radiating from it, the area is an important product distribution center for everything from apparel to industrial fasteners. Cleveland is also a world port, attracting the ships of nations from all over the globe. It is the busiest iron ore port on the Great Lakes, and plans currently are being formulated for construction of a \$20 million ore dock to accommodate a new generation of 1,000-foot ore carriers. Nearby Lorain is the site of one of the largest shipyards on the Great Lakes.

Probably because northern Ohio is home to so many corporations — 40 of the nation's largest 1,000 manufacturing companies — there is a flourishing service industry. All "big eight" accounting firms have major offices in Cleveland, including the world headquarters of one. There are four law firms with more

than 100 lawyers each and numerous smaller ones specializing in corporate services.

High technology is important to the area. There are some 150 corporate research laboratories, and it is the home of NASA's \$600 million Lewis Research Center which contributed significantly to putting man on the moon and is now engaged in research in areas such as international communications, alternative energy sources, weather surveillance and biomedicine.

An abundance of energy sources has played an important role in the area's growth for decades. Ohio is an important coal producing state; it is also an active natural gas and oil exploration and production area. During 1977, 2,623 oil and gas wells were drilled in Ohio and an amazing 93 per cent were successful. Drawing upon some of the largest underground storage reservoirs in the world, the principal natural gas distribution company serving the area has fulfilled all supply commitments and recently requested permission from the Public Utilities Commission of Ohio to add new residential, commercial and industrial customers.



Steel Production



Medical Center



Medical Scanner



Gas Drilling



Auto Manufacture

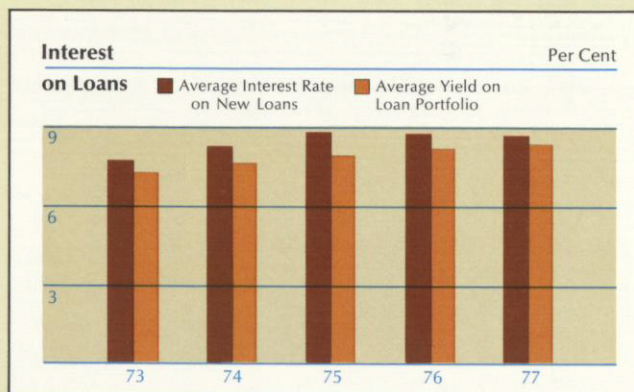
nine years. At year-end 1977, approximately 68 per cent of the loan portfolio was at rates of 8 per cent or over. Moreover, it is anticipated that approximately \$150,000,000 of the 1977 portfolio will be rolled over in 1978, and that a substantial portion of the roll-over will represent the older, lower yielding portion of the portfolio.

In addition to being a major factor in the financing of real estate in its northern Ohio service area, Broadview has broadened its investment base through a range of other investment opportunities. These include the acquisition of mortgages from savings and loans in other parts of the country as well as the purchase of Government National Mortgage Association mortgage-backed modified pass-through certificates.

The Ginnie Maes, certificates evidencing pools of mortgage loans backed by the full faith and credit of the United States Government, represent a significant tool in asset-liability management. While they represent mortgages, they can be bought and sold as securities, such as stocks and bonds, and a viable trading market exists. They thus represent a highly liquid asset and are an important means of dealing with the traditional "borrow short, lend long" problem which for years characterized the savings and loan business. At 1977 year-end, Ginnie Maes outstanding totaled \$175,912,838 and yielded 7.9 per cent.

Loan Experience Good

Loan experience in 1977 was good. Scheduled items — slow repayments, real estate acquired in settlement of loans and loans made to facilitate property resale — as a percentage of total assets declined to .9 per cent, down from the 1.0 per cent



of 1976 and the 1.5 per cent of 1975. Slow loans as of December 31, 1977 amounted to \$6,498,279, compared to the \$5,622,723 of 1976 year-end despite the very substantial increase in loans outstanding. Real estate owned at 1977 year-end totaled \$5,038,996, down somewhat from the \$5,099,093 at 1976 year-end. Figures for both years largely represent Aurora Shores, a planned unit development which the company is successfully marketing and expanding and which is considered both viable and valuable. Reflecting favorable experience in 1977, the provision for loan and real estate owned losses was \$981,038, down from the \$1,602,308 provision of 1976.

The increased lending activity of 1977 had a very substantial impact on revenues. For example, revenues derived from making loans rose to \$5,165,023 in 1977, up 52 per cent over the \$3,402,980 of 1976, the previous record, and more than triple the \$1,647,901 of 1975. The accelerated lending of recent years, at generally higher rates, is the principal factor in the rapid increase in loan interest revenues, which in 1977 amounted to

Loan Portfolio

December 31	1977		1976	
	(Millions)	(%)	(Millions)	(%)
Residential				
Less than five units:				
Conventional	\$ 652.9	56.6	\$462.8	51.5
Partially guaranteed (VA) and fully insured (FHA)	7.7	0.7	2.7	0.3
G.N.M.A.	171.4	14.9	132.0	14.7
More than four units:				
Conventional	123.6	10.7	124.2	13.8
Fully insured (FHA)	9.8	0.9	9.9	1.1
Improved commercial and industrial real estate	163.8	14.2	153.2	17.0
Land development	18.0	1.6	11.1	1.2
Home improvement loans and others	5.5	0.4	3.7	0.4
	<u>\$1,152.7</u>	<u>100.0</u>	<u>\$899.6</u>	<u>100.0</u>
LESS —				
Undisbursed portion of loans in process	30.7		21.4	
Reserve for loan losses	1.5		1.5	
	<u>32.2</u>		<u>22.9</u>	
Loans receivable, net	<u>\$1,120.5</u>		<u>\$876.7</u>	

Housing: One of the Area's Riches

Good housing and pleasant neighborhoods are a tradition in northern Ohio. Luxurious apartment buildings, such as those of Lakewood's Gold Coast, just 10 minutes from downtown Cleveland, overlook Lake Erie. For those who enjoy country living, there is the openness of communities such as Gates Mills and Hunting Valley or planned communities such as Tanglewood in Geauga County. Condominiums with names such as Hidden Valley and Beach House are the choice for many others.

Probably some of the best values may be found on the tree-lined streets of Cleveland and other established communities like Rocky River, Cleveland Heights, Shaker Heights, Euclid, and Parma. The existence of many well-maintained, older homes in these communities, and many others assures a good supply of quality housing at a wide variety of prices.

Northern Ohio, like any major urban area, also has its share of sub-standard housing. But, an effective effort is being made to deal with it. Slum areas are slowly but steadily being reduced by projects such as Central Park Place, located on Cleveland's near-east side and financed by Broadview Savings. Restoration of homes in the Ohio City area of Cleveland's near-west side represents another central city redevelopment of impressive proportions. Financial institutions, including Broadview, are working with Cleveland municipal authorities in structured programs designed

to provide funding and code enforcement to rehabilitate blighted neighborhoods as still another means of adding to the value of the area's overall housing stock.

The fact is that housing represents one of the northern Ohio area's most impressive assets. Any of a number of statistics point to the value of home ownership as a personal investment. For example, the average sales price of a home in Cuyahoga County increased 12.46 per cent in 1977, and almost 25 per cent since 1975.

Demand for homes in the wide variety of price ranges available remains keen, but the speculative excesses which have burdened some areas of the nation have not occurred in northern Ohio. The result is an excellent market for lending activities as evidenced by the fact that during 1977 Broadview made 5959 loans in northern Ohio, and the average loan for a single family dwelling was \$43,300.

Central Park Place



Gold Coast



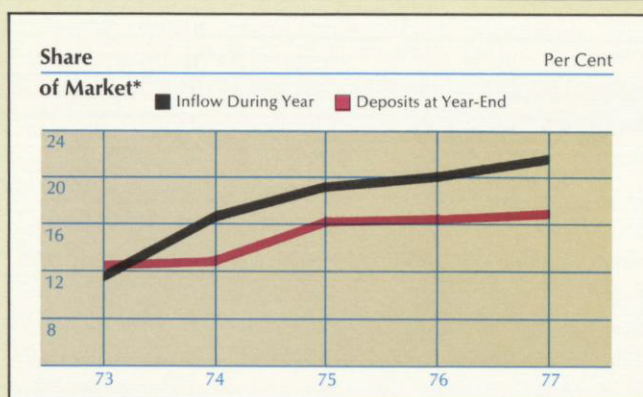
Suburban Neighborhood



Tanglewood



Hidden Valley



* As a percentage of total among 17 largest savings and loans in market area.

\$83,582,026 and were 31 per cent greater than in 1976 and 68 per cent above 1975. The only category to show a decline in 1977 was revenue obtained from interest and dividends on securities, reflecting the liquidation of sizable portions of the bond portfolio so that proceeds could be invested in real estate mortgages. The 1977 total revenue increase of \$17,632,832, to \$99,004,703, is the greatest in the company's history by a substantial margin.

Savings Inflow Strong

Savings deposits are the basic raw material of a savings and loan's lending activity and obtaining them is an important element in a savings and loan's growth. Market share also is an important indicator of an institution's effectiveness within the parameters of the economic circumstances prevailing in a specific market. Despite the sharp rise in short-term interest rates in 1977 — average yield of 13-week Treasury bills at the first auction of the year was 4.407 per cent and 6.14 at the final December 30 auction — Broadview attracted more than \$140,000,000 in new savings for the second consecutive year. The \$144,765,083 in new deposits represented 21.3 per cent of savings inflow to the area's 17 largest savings and loans. Not only was Broadview's net savings inflow substantially greater than that of any other area savings and loan, but the gain was

greater than the total deposit growth of all but one of the five largest Cleveland banks.

A major factor in the ability of Broadview to attract savings deposits is an extensive presence in its market area. At 1977 year-end, Broadview Savings had 32 offices, including nine former St. Clair Savings offices and one new office opened in Mentor in suburban Lake County. Three new offices are scheduled for 1978 openings and applications for two are pending. Additionally, Broadview has 59 remote service terminals in Pick-N-Pay Supermarkets, enabling customers who have The MONEY SERVICE card, to make deposits and withdrawals and to cash checks there.

Pick-N-Pay is the largest food chain in the Greater Cleveland area; over 600,000 shoppers pass its check-out counters every week. In addition to the number of people exposed to The MONEY SERVICE through Pick-N-Pay, the stores normally have been open up to 56 hours per week, significantly more than the 38 to 40 hours of Broadview and most other financial institutions. This advantage should be increased later this year when supermarkets in Cuyahoga County plan to extend store hours from 6 P.M. until 9 P.M. Thursday and Friday evenings.

The MONEY SERVICE has been well accepted by Pick-N-Pay shoppers. First introduced in October, 1975, usage of the service has grown from 418 savings account transactions that month to 62,000 in December, 1977. Fifty-six per cent of Broadview's regular savings customers are participants in The MONEY SERVICE program and some 96 per cent of regular savings accounts opened during 1977 were The MONEY SERVICE.

In addition to the convenience of the Pick-N-Pay stores, The MONEY SERVICE has numerous other advantages for depositors. A statement savings program, it paid 5¼ per cent continuously compounded during 1977 in contrast to the 5 per cent paid on passbook accounts by most area savings and loans, including Broadview, and the 4½ per cent paid by area banks. It also means increased

Savings Deposits

December 31

	1977		1976	
	(Millions)	(%)	(Millions)	(%)
The Money Service — 5¼ %	\$ 213.6	20.3	\$122.5	13.5
Passbook — 5% in 1977 and 5¼ % in 1976	373.1	35.4	424.9	46.8
Certificates of deposit — under 6%	24.4	2.3	18.6	2.0
Certificates of deposit — 6 - 6¼ %	11.6	1.1	10.2	1.1
Certificates of deposit — 6½ - 7%	91.8	8.7	81.6	9.0
Certificates of deposit — Over 7%	316.4	30.1	232.1	25.6
Negotiated certificates of deposit (\$100,000 minimum)	20.6	2.0	17.1	1.9
Christmas Club accounts	1.1	0.1	.8	.1
TOTAL	<u>\$1,052.6</u>	<u>100.0</u>	<u>\$907.8</u>	<u>100.0</u>

Boating and Beethoven

Sitting under warm skies, more than a half million persons picnicked and listened to attractions ranging from the Cleveland Orchestra to rock concerts in Blossom Music Center's open amphitheater last summer. Thousands more enjoyed area beaches, boating on Lake Erie, the Cleveland Indians, the Cleveland Zoo and outstanding amusement parks such as Cedar Point, Geauga Lake Park and Sea World.

Sailing on Lake Erie



Northern Ohio has beautiful summers; Cleveland has a greater percentage of sunshine during the summer months than San Diego, Houston or Tampa. But, all seasons are enjoyed. As summer gives way to fall, Cleveland Stadium draws capacity crowds for the Browns. In the winter, many people are attracted to northern Ohio ski slopes or to toboggan runs in the 18,000-acre Metropolitan Park System which in the summer becomes the famous "Emerald Necklace." A highlight of spring is the arrival of the Metropolitan Opera Company for its annual visit.

Year-round the new 20,000 seat Coliseum draws large crowds for events ranging from performances by leading artists, the circus, ice shows to NBA action featuring the Cavaliers or NHL battles of

the Barons. Thanks to a host of community theaters, The Cleveland Play House, which is the nation's oldest resident professional theater, and a summer Shakespeare Festival, theater-goers can be as active as they wish at any time of the year.

And few cities in the nation can boast of anything comparable to Cleveland's University Circle, a cultural magnet containing Severance Hall, home of the Cleveland Orchestra, the Cleveland Institute of Art, The Cleveland Museum of Natural History, The Western Reserve Historical Society, The Crawford Auto-Aviation Museum, the Cleveland Museum of Art, acres of gardens and Case Western Reserve University, one of the more than 20 area colleges and universities which currently have more than 100,000 students enrolled.

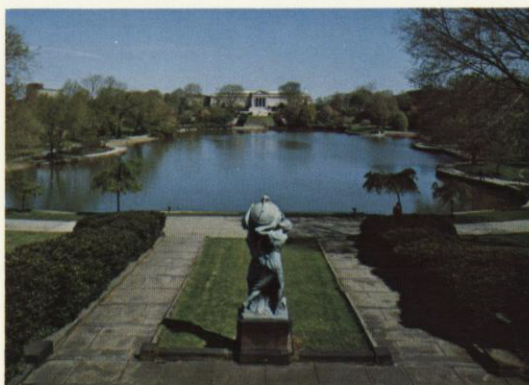
Blossom Music Center



Sea World



Metropolitan Park
Toboggan Run



Museum of Art



Cleveland Browns

security for customers, and for Broadview the advantages of automated electronic funds transfer.

Incidentally, while Christmas Club accounts represent a minuscule portion of total savings deposits, the Christmas Club plan is important in attracting customers to offices. During 1977, Broadview, with close to 26,000 accounts, ranked second in the nation among savings and loans. More than 40,000 accounts were opened for the 1978 Christmas savings plan.

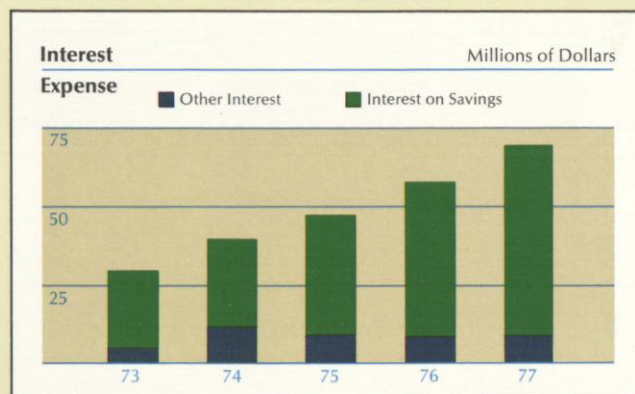
As short-term interest rates rose during the year, certificates of deposit became increasingly valuable as competitive instruments, and Broadview launched an aggressive marketing program featuring flexible certificates of deposit which could be purchased in any amount over \$1,000 for periods ranging from three to 120 months at rates of from $5\frac{3}{4}$ to $7\frac{3}{4}$ per cent. During 1977 the net increase in certificates of deposit was \$105,228,211, and certificates of deposit at year-end represented 44 per cent of total savings deposits.

Largely as a result of the increased popularity of certificates of deposit as a savings medium, the weighted average interest rate on deposits as of December 31, 1977 was 6.06 per cent, up seven basis points from 1976. As noted earlier, the effective rate on savings and borrowings, 5.99 per cent, was down somewhat from the 6 per cent of 1976. This is largely attributable to a lower level of borrowing throughout the first three quarters of the year as well as to a lower prime lending rate for a part of 1977.

Interest and Operating Expenses

Interest expenses on savings deposits in 1977 amounted to \$58,633,786, up 18 per cent over the \$49,616,108 of 1976 and 55 per cent greater than the \$37,841,348 of 1975. The increase in both years is attributable to the greater volume of savings on deposit. Interest on borrowed money in 1977 totaled \$8,347,243, up three per cent over the \$8,088,912 of 1976 and 13 per cent less than the \$9,606,448 of 1975. The company throughout 1976 and through the first three quarters of 1977 maintained generally lower levels of borrowings than in 1975. The gain in 1977, which came in the fourth quarter, is largely attributable to the sale in November of the \$40,000,000 in 8 per cent GNMA-Collateralized Bonds. Proceeds from the offering have been invested at rates effectively greater than 9.0 per cent.

Operating expenses, including taxes and assessments on deposits, in 1977 were at a ratio of 18.4 per cent to total revenues, down from the 19.3 per cent of 1976. Total operating expenses in 1977 amounted to \$18,186,018, up from the \$15,667,171 of 1976 which in turn was up from the \$10,909,694



of 1975. The increases for both years reflect expenses associated with growth as well as the impact of inflation. The expense levels of both 1977 and 1976 include full-year operations of St. Clair Savings, which was purchased July 8, 1975, as well as the operation of two new branches opened in 1976 and one in 1977.

Federal income taxes in 1977 amounted to \$3,738,000, more than double those of 1976 and substantially greater than the \$520,000 of 1975. The increase reflects the company's higher levels of earnings in 1977 and in 1976. The effective tax rate in 1977 was 27 per cent versus 23.2 in 1976 and 14.5 in 1975. A complete reconciliation of Federal income tax expense for 1977 and 1976 may be found in Note 6 to the Financial Statements, page 19.

Northern Ohio Data

The Cleveland Standard Consolidated Statistical Area within which Broadview Savings operates includes seven northern Ohio counties. Broadview has offices in six of the seven, as well as in Erie County which is immediately adjacent to the Cleveland SCSA. 1976 statistics, the most recent available, for the Cleveland SCSA thus provide a general profile of the market served by Broadview.

The 1976 population of the Cleveland SCSA was 2,889,000; there were 974,700 households. Both represent 1.3 per cent of the nation's totals. However, the area's effective buying income, \$16.9 billion, represented 1.4 per cent of the nation's total.

Significantly, while the number of households increased five per cent in the 1970 through 1976 period, the effective buying income rose 49 per cent, and retail sales increased 76 per cent. In department store sales per household, Cleveland ranks ahead of Chicago, Detroit, New York, Los Angeles or Dallas.

There is also ample evidence of a savings orientation. Savings deposits of the 17 major Greater Cleveland savings and loans have increased 78 per cent in the past five years and those of Broadview at 1977 year-end were 140 per cent greater than at the end of 1972.

The Area's Hub

A visitor to the downtown Cleveland of 15 or so years ago wouldn't recognize it today. Blocks which once reflected neglect have been replaced by towering new office buildings and downtown apartments. Since 1970, some \$650 million in major new construction has been completed or is in progress. Currently under construction are a state office building and the new corporate headquarters of a major bank; plans for a new office building to be built for The Standard Oil Company of Ohio are being finalized.

Cuyahoga Building



A portion of East Ninth Street, which two decades ago had begun to acquire the character of a skid row, is now a boulevard of new buildings housing major banking firms and corporate headquarters. Softening the effect of the new construction are parks such as Chester Commons and the Mall. And the Convention Center has been expanded to a 450,000 square foot facility.

Equally important, respect for quality is being demonstrated through the renovation of property. Funded by a number of leading Cleveland corporations, a major hotel on Public Square is being completely rebuilt, and the park area of Public Square is scheduled for expansion and replanting. The landmark Cuyahoga Building on Public Square has had its 1893 facade

restored, while the interior has been totally renovated into modern office space. The building, designed by renowned architect Daniel Hudson Burnham, was the first steel frame structure in Cleveland. Broadview Savings, through a subsidiary, is joint owner of the building.

The construction and renovation in downtown Cleveland is not a speculative fling. The occupancy rate for downtown office space is estimated to be above 90 per cent. And why not? Downtown Cleveland is just 25 minutes away from Cleveland Hopkins International Airport by rapid transit, five minutes from Burke Lakefront Airport and 20 to 45 minutes from residential suburbs and an array of busy outlying mercantile centers thanks to an elaborate freeway system.

Convention Center



East Ninth Street



A Recent Addition



Chester Commons



Airport Rapid

Five Year Financial Summary

Broadview Financial Corporation and Subsidiaries

An analysis of operations of recent years is included in the Report to Shareholders beginning on Page 2 and in the section Broadview Savings and Northern Ohio which begins on Page 5.

	1977	1976	1975	1974	1973
Revenues					
Interest on loans	\$ 83,582,026	\$ 63,861,000	\$ 49,727,910	\$ 37,415,796	\$ 30,552,687
Interest and dividends on securities ..	8,615,371	12,607,039	9,680,454	8,744,372	7,558,207
Loan and other fees	5,165,023	3,402,980	1,647,901	1,958,355	1,464,408
Net gain on sales of GNMA pass-throughs and other securities	679,037	630,535	155,384	32,721	519,823
Other income	963,246	870,317	741,146	591,764	609,164
TOTAL	\$ 99,004,703	\$ 81,371,871	\$ 61,952,795	\$ 48,743,008	\$ 40,704,289
Expenses					
Interest on savings	\$ 58,633,786	\$ 49,616,108	\$ 37,841,348	\$ 28,325,714	\$ 24,596,243
Other interest	8,347,243	8,088,912	9,606,448	11,069,859	4,412,641
General and administrative	15,266,160	13,152,732	8,963,538	5,832,338	5,100,357
Taxes and assessments on deposits ..	2,919,858	2,514,439	1,946,156	1,468,813	1,362,372
Federal income taxes	3,738,000	1,857,000	520,000	529,000	1,357,000
TOTAL	\$ 88,905,047	\$ 75,229,191	\$ 58,877,490	\$ 47,225,724	\$ 36,828,613
Net Income	\$ 10,099,656	\$ 6,142,680	\$ 3,075,305	\$ 1,517,284	\$ 3,875,676
Weighted average shares outstanding	2,973,400	2,973,400	2,973,400	2,973,400	2,923,335
Net Income per share	\$ 3.40	\$ 2.07	\$ 1.03	\$.51	\$ 1.33
Balance Sheet Data					
Assets	\$1,308,454,489	\$1,062,399,994	\$936,252,486	\$730,113,719	\$572,511,689
Loans receivable	1,120,509,414	876,669,394	723,146,739	580,331,554	445,611,503
Savings deposits	1,052,551,481	907,786,398	759,403,279	505,678,672	468,400,950
Shareholders' equity	53,741,829	44,474,725	38,807,789	36,104,159	34,958,550
Per share	18.07	14.96	13.05	12.14	11.76
Savings Activity					
Net savings inflow	\$ 144,765,083	\$ 148,383,119	\$108,302,150	\$ 37,277,722	\$ 30,550,466
Number of accounts	302,218	241,174	214,037	162,269	155,574
Average interest rate on savings	6.06	5.99	5.92	6.03	5.73
Loan Data					
New loans	\$ 410,425,000	\$ 261,444,000	\$100,899,000	\$188,032,000	\$106,323,000
Average interest rate on new loans ..	8.69	8.79	8.80	8.27	7.71
Average yield on loan portfolio	8.29	8.14	7.86	7.58	7.26
Ratios					
Effective yield on loans and securities	8.13	7.92	7.77	7.50	7.15
Effective rate paid on deposits and borrowings	5.99	6.00	6.30	6.77	6.07
Net Spread	2.14	1.92	1.47	.73	1.08
Scheduled items to total assets	.9	1.0	1.5	1.4	.9
Operating expenses, including taxes and assessments on deposits, to revenues	18.4	19.3	17.6	15.0	16.1
Effective Federal income tax rate ...	27.0	23.2	14.5	25.9	25.9

All data reflects the pooling of interest of The Broadview Savings and Loan Company (Broadview) and Broadview Financial Corporation as of February, 1973, and all data includes the operations of St. Clair Savings Association, merged with Broadview on December 30, 1977, since the acquisition on July 8, 1975.

Consolidated Statements of Condition

Broadview Financial Corporation and Subsidiaries
December 31, 1977 and 1976

	1977	1976
Assets		
CASH	\$ 15,633,210	\$ 13,508,167
MARKETABLE SECURITIES, quoted market value of \$121,162,000 and \$127,241,000, respectively (Note 4)	123,765,030	127,153,550
LOANS RECEIVABLE (Notes 2 and 4)	1,120,509,414	876,669,394
FEDERAL HOME LOAN BANK STOCK, at cost (Note 4)	7,209,300	6,137,500
REAL ESTATE OWNED, at cost, less reserve for losses of \$1,151,673 and \$589,874, respectively (Note 3)	5,038,996	5,099,093
OFFICE BUILDINGS AND EQUIPMENT, at cost, less accumulated depreciation and amortization of \$5,145,474 and \$4,594,503, respectively	11,794,700	9,566,491
PREPAID FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION PREMIUM	2,752,532	2,971,522
REAL ESTATE INVESTMENT PROPERTIES (Note 3)	4,747,655	3,754,846
ACCRUED INTEREST RECEIVABLE	5,039,779	5,254,168
PREPAYMENTS AND OTHER ASSETS	3,310,374	3,250,624
COST IN EXCESS OF FAIR VALUE OF NET ASSETS OF ACQUIRED COMPANY	8,653,499	9,034,639
	<u>\$1,308,454,489</u>	<u>\$1,062,399,994</u>
Liabilities and Shareholders' Equity		
SAVINGS ACCOUNTS	\$ 587,700,930	\$ 548,164,058
SAVINGS CERTIFICATES	464,850,551	359,622,340
	<u>\$1,052,551,481</u>	<u>\$ 907,786,398</u>
BORROWED MONEY (Note 4)	92,764,375	58,201,875
SECURITIES AND GNMA PASS-THROUGHS SOLD UNDER AGREEMENTS TO REPURCHASE (Note 4)	80,797,712	31,126,846
BORROWERS' FUNDS FOR TAXES, INSURANCE AND ESCROW	8,846,863	7,187,124
FEDERAL, STATE AND LOCAL TAXES (Note 6)	6,437,285	5,142,907
OTHER LIABILITIES	10,455,244	6,170,226
DEFERRED INCOME	2,859,700	2,309,893
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 7 and 8)	—	—
	<u>\$1,254,712,660</u>	<u>\$1,017,925,269</u>
SHAREHOLDERS' EQUITY:		
Common shares, \$1 stated value, 5,000,000 shares authorized, 3,011,600 shares issued, 2,973,400 shares outstanding net of 38,200 shares held in Treasury	\$ 2,973,400	\$ 2,973,400
Paid-in capital	5,103,899	5,103,899
Retained income (Note 5) —		
Appropriated	34,684,758	29,052,758
Unappropriated	10,979,772	7,344,668
	<u>\$ 53,741,829</u>	<u>\$ 44,474,725</u>
	<u>\$1,308,454,489</u>	<u>\$1,062,399,994</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Broadview Financial Corporation and Subsidiaries
For the Years Ended December 31, 1977 and 1976

	<u>1977</u>	<u>1976</u>
Revenues:		
Interest on loans	\$83,582,026	\$63,861,000
Interest and dividends on securities	8,615,371	12,607,039
Loan and other fees	5,165,023	3,402,980
Net gain on sales of GNMA pass-throughs and other securities	679,037	630,535
Other income	963,246	870,317
Total revenues	<u>\$99,004,703</u>	<u>\$81,371,871</u>
Expenses		
Cost of money —		
Interest on savings deposits	\$58,633,786	\$49,616,108
Interest on borrowed money	8,347,243	8,088,912
Total cost of money	<u>\$66,981,029</u>	<u>\$57,705,020</u>
Operating expenses —		
Compensation and related benefits (Note 7)	\$ 6,754,094	\$ 5,599,942
Taxes and assessments on deposits	2,919,858	2,514,439
Office occupancy and equipment expenses	3,721,063	3,107,657
Advertising and business development costs	1,605,023	1,316,598
Provision for loan and real estate owned losses	981,038	1,602,308
Other	2,204,942	1,526,227
Total operating expenses	<u>\$18,186,018</u>	<u>\$15,667,171</u>
Total expenses	<u>\$85,167,047</u>	<u>\$73,372,191</u>
INCOME BEFORE FEDERAL INCOME TAXES	\$13,837,656	\$ 7,999,680
PROVISION FOR FEDERAL INCOME TAXES (Note 6)	3,738,000	1,857,000
NET INCOME	<u>\$10,099,656</u>	<u>\$ 6,142,680</u>
EARNINGS PER SHARE (based on weighted average number of shares outstanding of 2,973,400 during the periods)	<u>\$3.40</u>	<u>\$2.07</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position

Broadview Financial Corporation and Subsidiaries
For the Years Ended December 31, 1977 and 1976

	1977	1976
Source of Funds:		
Net income	\$ 10,099,656	\$ 6,142,680
Add expenses not requiring outlay of funds during the year —		
Depreciation and amortization	916,328	770,402
Amortization of costs in excess of fair value of net assets of acquired company	384,456	384,456
Provision for loan and real estate owned losses	981,038	1,602,308
Deferred Federal income taxes	(196,000)	211,000
Federal insurance premium credited to FSLIC Secondary Reserve	238,687	201,322
Total provided by operations	\$ 12,424,165	\$ 9,312,168
Increase (decrease) in —		
Savings deposits	144,765,083	148,383,119
Borrowed money	34,562,500	(3,053,125)
Securities and GNMA pass-throughs sold under agreements to repurchase	49,670,866	(28,471,904)
Other, net	7,984,942	3,411,482
	<u>\$249,407,556</u>	<u>\$129,581,740</u>
Use of Funds:		
Increase (decrease) in —		
Loans receivable, net of charge-offs and loans in process	\$244,763,684	\$154,566,477
Marketable securities	(3,388,520)	(31,923,614)
Office buildings and equipment	3,097,815	2,031,160
Cash	2,125,043	2,822,327
Other, net	1,976,982	1,609,646
Cash dividends paid	832,552	475,744
	<u>\$249,407,556</u>	<u>\$129,581,740</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Income

Broadview Financial Corporation and Subsidiaries
For the Years Ended December 31, 1977 and 1976

	Retained Income (Note 5)		
	Appropriated	Unappropriated	Total
BALANCE, DECEMBER 31, 1975	\$ 25,787,830	\$ 4,942,660	\$ 30,730,490
ADD:			
Allocation of net income	3,264,928	2,877,752	6,142,680
DEDUCT:			
Dividends paid — \$.16 per share	—	(475,744)	(475,744)
BALANCE, DECEMBER 31, 1976	\$ 29,052,758	\$ 7,344,668	\$ 36,397,426
ADD:			
Allocation of net income	5,632,000	4,467,656	10,099,656
DEDUCT:			
Dividends paid — \$.28 per share	—	(832,552)	(832,552)
BALANCE, DECEMBER 31, 1977	<u>\$ 34,684,758</u>	<u>\$ 10,979,772</u>	<u>\$ 45,664,530</u>

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Broadview Financial Corporation and Subsidiaries
December 31, 1977 and 1976

1. Summary of Significant Accounting Policies:

Principles of Consolidation — Broadview Financial Corporation (Financial) is a savings and loan holding company and its principal subsidiary is The Broadview Savings and Loan Company (Broadview). The primary business of Broadview is to receive savings of the public and to make real estate secured loans. The accompanying consolidated financial statements include the accounts of Financial, Broadview, Broadview's subsidiaries; Broadview Service Corporation, Broadco, Inc., An Ohio Development Corporation, and St. Clair Service Corporation, and Brighton Advertising, Inc. All significant intercompany transactions have been eliminated.

Merger of Subsidiaries — On December 30, 1977, The Broadview Savings and Loan Company and St. Clair Savings Association were merged. The merger of the two savings and loan subsidiaries has no effect upon the consolidated financial statements of Broadview Financial Corporation and Subsidiaries.

Federal Income Taxes — Financial and its subsidiaries follow the accrual basis of accounting for financial reporting purposes, and the cash basis of accounting in filing a consolidated Federal income tax return. Deferred Federal income taxes arising from the reporting of income and expenses in the financial statements not reported on the tax return are included in Federal, State, and Local Taxes in the accompanying consolidated financial statements.

Marketable Securities — Marketable securities are carried at cost, and the premium or discount on these securities is being amortized to income over the life of the related securities.

Deferred Income — Unearned income on improvement loans is amortized on a straight-line basis over the life of the loans and unearned income on loan fees is amortized on a straight-line basis generally over seven or ten year periods.

Depreciation and Amortization — Financial and its subsidiaries compute depreciation

substantially on the straight-line method for financial reporting purposes and on an accelerated method for Federal income taxes. Estimated useful lives employed are up to 50 years for buildings, up to 15 years for furniture and fixtures and over the terms of the respective leases or estimated useful lives, whichever is shorter, for leasehold improvements. The cost and accumulated depreciation of assets sold or retired are removed from the accounts in the year of disposal, and any resulting gain or loss is reflected in income. The flow-through method of accounting is followed for the job development and investment credit applicable to the purchase of qualified assets.

Real Estate Owned — Real estate owned is carried at the lower of cost or estimated net realizable value. Direct holding costs are capitalized to the extent that the carrying amount does not exceed estimated net realizable value.

Prepaid FSLIC Premium — The Federal Savings and Loan Insurance Corporation (FSLIC) annual insurance premium is based on the amount of savings deposits. A portion of this premium ranging from 30% to 70% will be satisfied by use of the prepaid FSLIC premium as determined by the FSLIC.

Government National Mortgage Association (GNMA) Modified Pass-through Certificates — These loans, backed by the full faith and credit of the United States Government, are carried at cost and the related premium or discount is being amortized on a straight-line basis to income over a period of twelve years. In connection with transactions wherein GNMA modified pass-through certificates are traded with securities dealers for other GNMA's with similar yields, such transactions are accounted for as "wash sales". Gains or losses are recorded relative to GNMA sales which are considered to be other than "wash sales".

Cost in Excess of Fair Value of Net Assets of Acquired Company — The excess of cost over fair value of net assets of acquired company arises from a business combination which has been accounted for under the purchase method. This excess cost is being amortized against income over a period of twenty-five years by use of the straight-line method. Discount or premium arising from fair value adjustments of assets and liabilities is being amortized to income over the estimated remaining life of the related asset or liability.

2. Loans Receivable:

Loans receivable, net, at December 31, 1977, and 1976, consist of the following:

	1977	1976
First mortgage loans	\$ 735,178,036	\$613,259,638
GNMA pass-throughs	175,912,838	132,049,529
Construction loans	72,960,011	57,022,698
Participations purchased ...	161,502,470	91,397,132
Real estate sold on land contract and other loans ..	7,246,289	5,890,746
	<u>\$1,152,799,644</u>	<u>\$899,619,743</u>
Less:		
Undisbursed portion of loans in process	\$ 30,743,783	\$ 21,437,709
Reserve for loan losses	1,546,447	1,512,640
	<u>\$ 32,290,230</u>	<u>\$ 22,950,349</u>
	<u>\$1,120,509,414</u>	<u>\$876,669,394</u>

3. Real Estate Investment Properties and Real Estate Owned:

The real estate investment properties included in the accompanying consolidated statements of condition consist of:

	1977	1976
Land, at cost	\$4,301,313	\$3,284,620
Buildings, at cost, less reserve for depreciation of \$465,310 and \$441,426, respectively	446,342	470,226
	<u>\$4,747,655</u>	<u>\$3,754,846</u>

Real estate owned at December 31, 1977 and 1976, consists substantially of one development project at a cost of approximately \$5,500,000.

4. Borrowed Money and Securities and GNMA Pass-throughs Sold Under Agreements to Repurchase:

At December 31, 1977 and 1976, borrowed money consisted of:

	1977	1976
Advances from the Federal Home Loan Bank (FHLB) secured by the FHLB stock owned and by first mortgage loans aggregating \$94,526,000 in 1977 and \$106,135,000 in 1976		
Stated interest rates ranging from 7% to 9% in 1977 and 6½% to 9% in 1976	<u>\$50,005,000</u>	<u>\$53,505,000</u>
Borrowings from commercial banks secured by Financial's shares of common stock of Broadview —		
¼% in 1977 and 1% in 1976 above the commercial prime rate due in quarterly installments through 1980	\$ 2,109,375	\$ 3,046,875
½% in 1977 and 1½% in 1976 above the commercial prime rate (\$3,750,000 original amount reduced by prepayments of \$1,000,000 in 1977, \$500,000 in 1976 and \$1,600,000 in 1975) due in 1980	650,000	1,650,000
	<u>\$ 2,759,375</u>	<u>\$ 4,696,875</u>
8% GNMA-collateralized bonds due in 1984, secured by GNMA pass-throughs aggregating \$61,701,000 and having a market value of \$59,355,000 ..	<u>\$40,000,000</u>	<u>\$ —</u>
	<u>\$92,764,375</u>	<u>\$58,201,875</u>

Payments on the above borrowings are due from 1978 through 1985 as follows:

1978	\$ 3,977,125
1979	14,702,500
1980	14,584,750
1981	9,500,000
1984	40,000,000
1985	10,000,000
	<u>\$92,764,375</u>

Loan covenants on commercial bank borrowings limit borrowing by Financial to a maximum of \$12,000,000 and require a minimum net worth of \$32,000,000. As of December 31, 1977, Financial's borrowings were \$2,759,375.

The market value of the security for the 8% GNMA-collateralized bonds must be maintained at 125% of the outstanding principal balance and a \$2,000,000 certificate of deposit has been pledged to insure the payments of interest.

At December 31, 1977, the securities and GNMA pass-throughs sold under repurchase agreements consisted of rates ranging from 5.75 to 6.8%. At December 31, 1976, the securities and GNMA pass-throughs sold under repurchase agreements consisted of rates ranging from 4.7% to 5.3%. The marketable securities and GNMA pass-throughs, under these agreements, aggregated \$80,048,000 and had a market value of \$76,802,000 as of December 31, 1977.

5. Retained Income:

The regulations of the FSLIC require that Broadview must maintain Federal insurance reserves which may only be used for absorbing loan losses. All amounts designated as Federal insurance reserves are included in appropriated retained income.

Broadview is allowed a special Federal income tax bad debt deduction, limited generally in the current year to 42% (declining gradually to 40% in 1979), of otherwise taxable income and subject to certain limitations based on aggregate loans and savings accounts at the end of the year. If the amounts which qualify as deductions for Federal income tax purposes are later used for purposes other than to absorb loan losses, including distributions in liquidations, they will be subject to Federal income tax at the then current corporate rate. Retained income at December 31, 1977, includes approximately \$42,773,000 for which no provision for Federal income taxes has been made.

6. Federal Income Taxes:

The provisions for Federal income taxes in the accompanying consolidated statements of

operations consist of the following:

	1977	1976
Current taxes	\$3,934,000	\$1,646,000
Deferred taxes	(196,000)	211,000
	<u>\$3,738,000</u>	<u>\$1,857,000</u>

Deferred taxes result from timing differences in the recognition of income and expense for tax and financial statement purposes. The principal elements of these differences are as follows:

	1977	1976
Interest portion of prepaid FSLIC premium	\$ —	\$ 16,000
Conversion from accrual basis accounting for financial statement purposes to cash basis for Federal income tax purposes ...	(332,000)	181,000
GNMA swap transactions	114,000	—
Excess of tax over book depreciation	22,000	14,000
	<u>\$ (196,000)</u>	<u>\$ 211,000</u>

A reconciliation from the statutory income tax rate to the consolidated effective income tax rate follows:

	1977	1976
Federal income tax rate	48.0%	48.0%
Increase (Decrease) resulting from —		
Allowable tax over book deduction for loan loss provision, net of preference tax (See Note 5)	(15.9)	(9.5)
Tax Exempt municipal bond interest ..	(1.9)	(5.0)
Accounting for acquired company (See Note 1)	(4.3)	(9.6)
Other, net	1.1	(0.7)
	<u>27.0%</u>	<u>23.2%</u>

The deferred taxes payable resulting from timing differences is included in Federal, state and local taxes in the accompanying consolidated statements of condition and totaled approximately \$1,024,000 at December 31, 1977, and \$1,220,000 at December 31, 1976.

7. Pensions:

Broadview has a trustee, noncontributory pension plan for substantially all employees. Broadview's policy is to fund pension costs accrued. The total expense included in the accompanying consolidated statements of operations was \$454,431 in 1977 and \$251,116 in 1976, which includes amortization of prior service costs over a ten-year period. As of December 31, 1977, the vested benefits did not exceed the amount available in the funds and the unfunded prior service costs totaled \$1,573,000.

8. Commitments and Contingencies:

The Company's subsidiary, Broadview, had outstanding loan commitments (including GNMA pass-throughs and participation commitments) of \$247,027,000 and \$104,527,000 at December 31, 1977 and 1976, respectively, and commitments

to sell loans of \$135,000,000 and \$31,500,000 as of December 31, 1977 and 1976, respectively, not reflected in the consolidated financial statements. Management expects that the majority of these transactions will take place during the next year.

As of December 31, 1977, Broadview had outstanding 90-day Treasury Bill future commitments of \$30,000,000, which management expects to be funded during the next three months.

Certain branch locations are being leased for varying periods through 1995. The rent expense under the leases included in the accompanying consolidated statements of operations for 1977 and 1976 was approximately \$310,000 and \$218,000, respectively.

9. Selected Quarterly Financial Data (Unaudited):

1977			
Quarter	Revenue	Net Income	Earnings Per Share
1st	\$22,608,283	\$ 2,377,166	\$.80
2nd	24,648,093	2,486,364	.84
3rd	25,023,645	2,566,213	.86
4th	26,724,682	2,669,913	.90
Year	<u>\$99,004,703</u>	<u>\$10,099,656</u>	<u>\$3.40</u>
1976			
Quarter	Revenue	Net Income	Earnings Per Share
1st	\$19,011,447	\$ 1,390,914	\$.47
2nd	20,368,879	1,504,492	.50
3rd	21,168,856	1,576,449	.53
4th	20,822,689	1,670,825	.57
Year	<u>\$81,371,871</u>	<u>\$ 6,142,680</u>	<u>\$2.07</u>

Accountants' Report

The Board of Directors and Shareholders
Broadview Financial Corporation

We have examined the consolidated statement of condition of Broadview Financial Corporation and Subsidiaries as of December 31, 1977 and the related consolidated statements of operations, retained income and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements for the year ended December 31, 1976 were examined by other auditors whose report dated January 19, 1977 expressed an unqualified opinion on those statements.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Broadview Financial Corporation and Subsidiaries at December 31, 1977 and the results of their operations and the changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Reut, Marinich, Mitchell & Co.

Cleveland, Ohio
January 18, 1978

Broadview Financial Corporation

Directors

W. I. Krewson, Retired Partner,
Krewson, Lewis & Krewson, Attorneys
Edward J. Rupert, Chairman of the Board,
Broadview Financial Corporation
John E. Rupert, President and Chief Executive Officer,
Broadview Financial Corporation
Edward R. Stell, Chairman of the Board,
MTD Products Inc. (Manufacturer of Consumer
Products, Tools and Dies, and Products for the
Automotive and Appliance Industries)
John C. Wasmer, Jr., President,
Lake Erie Screw Corporation
(Manufacturer of Screw and Bolt Products)
R. Budd Werner, Vice President-Finance
and Treasurer, Hauserman, Inc. (Manufacturer of
Office and Educational Interior Systems
and Moveable Walls)
W. L. G. Winter, Retired Vice President,
Ohio Bell Telephone Company

Officers

John E. Rupert, President and Chief Executive Officer
William R. Heideloff, Vice President
Richard R. Heddlestone, Treasurer
Paul L. Csank, Secretary and General Counsel
James L. Goehler, Controller
Judith L. Schust, Assistant Secretary

Broadview Financial Corporation common stock quotations are included in the daily Over-the-Counter list published in daily and financial newspapers. Under the National Association of Security Dealers Automatic Quotation System, Broadview's trading symbol is BDVF.

A copy of the Broadview Financial Corporation Form 10-K Annual Report filed with the Securities and Exchange Commission may be obtained free, upon written request, from Richard R. Heddlestone, Treasurer, Broadview Financial Corporation, 4221 Pearl Rd., Cleveland, Ohio 44109. Copies of exhibits to the report may be obtained for a nominal charge to cover their reproduction.

Principal Office

4221 Pearl Road, Cleveland, Ohio 44109
(216) 351-2200

Registrar and Transfer Agent

The Cleveland Trust Company
Cleveland, Ohio 44101

Meeting of Shareholders

4 P.M., E.D.T., Tuesday, April 25, 1978
West Ballroom "D" of Hollenden House Hotel
610 Superior Avenue N.E.
Cleveland, Ohio 44114

Broadview Financial Corporation

4221 Pearl Road, Cleveland, Ohio 44109

(216) 351-2200